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ABSTRACT

Every year the Education Commission of the States (ECS) Center for Community College Policy holds a policy forum to which state community college directors and association presidents are invited. The goal of these forums is to provide an opportunity for community college state directors and association presidents to discuss critical policy issues with their peers and to learn from one another about which policies work or do not work in their respective states. The topic of the fourth annual forum was the current economic crisis in the states and the opportunities and challenges this crisis presents to community colleges. This paper offers a summary of the Forum proceedings. Ray Taylor opened the meeting with the observation that it is critical for community college leaders to understand the policy issues facing community colleges. Katherine Boswell discussed the issue of state budgetary shortfalls, which are currently affecting 44 states. As a result, states face tough choices regarding what programs will undergo budget cuts. The increase in enrollment exacerbates the funding dilemmas in higher education. Kay McClenney emphasized that even if the economic recession proves to be short-lived, community college leaders should use the lessons of the recession to make fundamental changes in the way the colleges do business. (Author/NB)

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The Education Commission of the States
Center for Community College Policy

DOING MORE WITH LESS: COMMUNITY COLLEGES & THE NEW ECONOMY

Summary of the 4th Annual Policy Forum
February 9, 2002
Washington, D.C.

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Introduction and Overview

Every year the ECS Center for Community College Policy holds a policy forum to which state community college directors and association presidents are invited. Important and current issues that community colleges across the country face are discussed in a state policy context. The goal of the policy forums is to provide an opportunity for community college state directors and association presidents to discuss these critical policy issues with their peers and to learn from one another about what policies work or don't work in their respective states.

The topic of this year's policy forum was the current economic crisis in the states and the opportunities and challenges it presents to community colleges. Ray Taylor, president of the American Association of Community College Trustees, opened the meeting with the observation that it is critical for community college leaders to understand the policy issues facing community colleges. He emphasized the point that community college leaders should be especially cognizant of the biggest policy issue, which is funding. Taylor stressed that community colleges are vital to a state's economic climate and therefore adequate funding of these institutions is in a state's best interests. He gave one example of this by reporting on a meeting in which state impact models for Illinois and Texas were presented. From looking at the data of these models, it was learned that if state legislatures stopped funding community colleges, the tax rate in the states would have to increase. Not only are community colleges a good investment for all the usual services they provide, but they also send significant amounts of dollars back to state coffers.

"It is critical for community college leaders to understand the policy issues facing community colleges."
— Ray Taylor

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In her overview, Katherine Boswell, executive director of the ECS Center for Community College Policy reiterated the statement that community colleges are a good investment, but currently 44 states are facing budget shortfalls, which means budget cuts for community colleges are likely. The national average for state structural budget deficits is 3.8%. In general, it is unlikely that states will increase taxes so tough choices are going to have to

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be made about what programs will face budget cuts or freezes. Often in the recent past, community colleges and technical schools have gotten bigger percentage increases in funding than their four-year counterparts, though that does not seem to hold true in the current fiscal climate.

According to Boswell, dramatically increasing enrollments in some states are exacerbating the higher education funding dilemma. The United States is averaging a 9% increase in high school graduates. Another challenge community colleges face is retraining workers who have lost their jobs because of the economic recession while at the same time these colleges are experiencing funding decreases. This means community college leaders are going to have to think of new ways of continuing to provide the multiplicity of services for which community colleges are well known. This is in addition to the possibility of having to raise tuition.

"Doing More With Less and Other Implications for Community Colleges"

Following the overview of the economic climate in the states, Kay McClenney, ECS Center for Community College Policy Distinguished Senior Fellow, commented in her presentation that the current economic recession is showing signs of being short-lived and of not being as profound as past recessions. Additionally, she noted that some states have shown enough foresight to build up "rainy day" funds that have helped to mitigate the effects of the recession. Nevertheless, there have been serious budget cuts to community colleges and as always community colleges have typically been asked to do "more with less," even though in many cases they usually end up doing "less with less." This doing "less with less" often means:

- Cutting course sections
- Laying off part-time faculty
- Decreasing funds for professional development and travel
- Cutting student aid programs along with increases in tuition
- Reducing acquisition of technology and replacement rates
- Deferring maintenance
- Eliminating or reducing outreach programs

McClenney emphasized the point that even if the current economic recession proves to be short-lived, community college leaders should think about using the lessons of this recession to make dramatic, fundamental changes in the way community colleges do business. This includes rethinking mission, policy models and business structures. Some examples of significant structural and systemic changes in the way community colleges could work include:

- Decreasing the proportional share of courses taught by full-time faculty

"Community college leaders should think about using the lessons of this recession to make dramatic, fundamental changes in the way community colleges do business."
— Kay McClenney

- Encouraging the emergence of "shadow colleges," which are essentially profit centers that take on many of the same functions of community colleges
- Offering community college baccalaureate degrees
- Providing open-entry, open-exit opportunities for developmental education, basic skills and workforce training that take on a case manager structure of management as opposed to the traditional faculty role
- Encouraging the growth of concurrent enrollment
- Creating agreements with four-year institutions for an automatic transfer to junior status with an associate's degree, not just a transfer of credits
- Developing distance learning
- Outsourcing services and operations, etc.

McClenney strongly emphasized the point that budget solutions should not be limited to answering the problems of a recession. Even before the economic downturn and the resulting impact, community colleges were struggling with the issue of inadequate funding. Already some thought has been given to the ways in which community college systems and institutions could operate differently such as making a substantial shift from a provider perspective to one that is more driven by a client perspective and a focus on what the public needs. Discussion should be centered not only on what programs are driven by the state resource situation, but also by the other changes occurring in the environment in which the community colleges are operating. These changes include:

- Increasing enrollment
- Changing perspective of what it means to go to college as only one in six American undergraduates fit the traditional description of a college student
- Proliferating postsecondary education providers
- Emerging technologies.

McClenney summarized the above points with her view that the conversation should be about doing different things and doing things differently.

What can community colleges do with declining or about the same number of resources? What areas of new work are opportunities, not only for revenue, but also for enhancing the community college mission and for better serving communities? One example of a new opportunity is using technology strategically to increase student learning quality while also reducing cost. McClenney mentioned a Pew-funded study directed by Carol Twigg that found the same factors that increase quality also reduce cost. Those factors include:

- An initial assessment of a student's knowledge, skills and style of learning
- An array of interactive learning materials and activities
- Individualized study plans
- Student "time-on-task" tracked with technology
- Integrated, continuous assessment and feedback, and appropriate varied human interaction when needed

McClenney stated that some learning is best accomplished by interacting with a machine. Some learning is best accomplished with student interaction with other students. Still other

learning is best accomplished only by a student's interaction with an instructor. Educators need to know the right mix of tutors and computers.

Another opportunity for community colleges is addressing staffing patterns and changing them. Community colleges need to look at unbundling the faculty role. These faculty roles include:

- Content expertise
- Gifted lecturing
- Evaluation and assessment
- Being a group facilitator
- Being an instructional designer with high knowledge and skills in technology

Community colleges might want to look into differentiated staffing and at putting specialists into teams.

Yet another opportunity in which community colleges can do things differently is by becoming a broker of postsecondary educational services. This is in contrast to being a provider of a multitude of educational services. Examples of this can be found in the university center models.

Academic advising is also another area in which community colleges can improve. Advisors should help students, particularly those who are "at risk," develop academic plans. When students have clear goals, they are more successful.

McClenney stressed the point that when community colleges do something different they should be guided by their mission of student learning, particularly for those most "at risk." Community colleges also need to find ways to continue to provide access to students, which includes keeping tuition low.

Panel Discussion: Challenges and Opportunities for Community Colleges in the Decade Ahead

Following McClenney's presentation, Aims McGuinness, senior associate with the National Center for Higher Education Management Systems (NCHEMS), noted that community colleges are dealing with a long-term decline in public resources and a dramatic increase in demand. The number of clients that needed to be served versus the amount of resources was a problem even two years ago, and it's only being dramatically highlighted now.

Today around the world there is a targeting of resources for public purposes, meaning to subsidize clients rather than institutions. McGuinness explained that there is a difference between mission-related programs and a mission that actually serves clients. Community college leaders need to ask the question, is the community college as an institution fighting with other institutions for its share of the enrollment, or is it the key vehicle for uplifting the life and the economy in the region it serves?

McGuinness has observed that the most disappointing thing about community colleges is that they want to make money by selling programs themselves. Community colleges are taking a boutique approach to providing services, that in the long run, is not economical. This boutique approach taken by community colleges in providing educational services often means that quality is compromised. Not only that, McGuinness asserted, but community colleges are not "buying in" and getting the best resources of their state systems.

> **"Community college leaders need to ask the question is the community college as an institution fighting with other institutions for its share of the enrollment, or is it the key vehicle for uplifting the life and the economy in the region it serves?"**
>
> **— Aims McGuinness**

McGuinness stated that the funding incentives which currently exist in the states pit institutions against one another and discourage collaboration. There's also lots of talk about funding programs such as workforce development and and yet the funding is not there. There are significant problems with community college funding policies especially since community colleges are still often linked with a four-year institution ideology and teaching loads. Therefore it should be a major priority to do the following things:

- Community colleges need to shape a public agenda so that people understand the unique role that community colleges play
- State legislatures should have an agenda not just of increasing funding for community colleges, but they should also create a series of practical steps for changing the funding and governance incentives within which the community colleges operate
- This is the time to think in new and different ways about the community college mission, recognizing that it is best done when there are clear external threats that get the attention of the college's internal constituencies

Jim Mingle, president of Mingle & Associates and former executive director of the State Higher Education Executive Officers (SHEEO), in his presentation, stated that currently there is a lot more money in the system than there was at the last recession although it isn't obvious given the talk about community colleges' decline of the share. Nevertheless, overall there's more money for community colleges. He also observed that there is a lot of money community colleges aren't capturing because of poor pricing strategies.

In context the United States is the richest country in the world and has done an extraordinary job of providing education for its citizens. Policymakers have essentially protected education funding. Mingle noted that states have learned from past recessions to do the following things:

> **"There is a lot of money that community colleges aren't capturing because of poor pricing strategies."**
>
> **— Jim Mingle**

- Deregulate (which the four-year sector has done well). Community colleges can seek deregulation from personnel, purchasing, etc. Community colleges should have the ability to control their tuition revenue and to sustain significant budget surpluses from year to year.
- Capture economies of scale. Community colleges can get more quality for less cost by standardizing the curriculum and buying lower-cost faculty. Community colleges can capture economies of scale in other ways such as having one registrar function at the system level for all institutions. They also could have one or two data administrative systems in the state rather than on every campus. Finally, community colleges could have virtual libraries in a single system, etc.
- Get smart about pricing. Mingle believes that community colleges have a WalMart pricing strategy and not a WalMart distribution system.

Nowadays funds are no longer going to institutions as much, but rather to students through tuition tax credits, loans, grants, etc., so community colleges have to learn how to capture the money. The student body is also changing. There are a lot of people who can pay higher prices just as there are many students who cannot afford higher prices. When community colleges have that situation, they can go to either a discount system through institutional aid or they might consider differential pricing. For example, in fields such as technology, community colleges could charge more because students will get high-paying jobs when they graduate. Currently, there are high enrollments in for-profit institutions that provide technology training that costs significantly more than at a community college. According to Mingle, free tuition means selective institutions because of the limited funds that would be available to support them.

David Armstrong, interim chancellor of the Florida Community College System, noted that many of Florida's higher education officials have not adopted differential pricing strategies and that no systematic transition has taken place thus far. He also noted that Florida is undergoing enormous governance changes. These changes are providing a lot of opportunities for institutions to look at partnerships in the "economy of scale" areas with public schools and universities. Florida policymakers are also looking at the concept of community college baccalaureate degrees in order to increase baccalaureate degree attainment in the state.

(Group Discussion: "Challenges and Opportunities for Community Colleges in the Decade Ahead," followed the morning presentations)

Luncheon Presentation: "What is Needed from Community Colleges in the New Economy"

Representative Judy Erwin, chairman of the Illinois House Higher Education Committee, gave a luncheon speech from the perspective of a policymaker, that focused on the issues brought up in the morning sessions. She discussed the fact that many state legislatures during the boom times of the nineties spent money like "drunken sailors" and that on the revenue side, state legislatures gave generous tax cuts, which now almost add up to what

the state budget deficits are. She mentioned that it seemed like state policymakers had not learned a lot since the last recession.

The context now is not a happy one. Representative Erwin asked, how is it that we could have allowed the present situation to occur in the states? It's not as if legislatures and education officials don't understand the ups and downs of business cycles. Unfortunately, the mentality in the statehouses has been if "you have it then spend it." Thus, there needs to be a new model.

Frequently education leaders ask questions and do research, but not in a needed, visionary way. Higher education will need to be flexible, undergo changes and understand the environment in which it operates. Nowadays higher education does not serve a homogenous group of people. Furthermore, higher education customers want different things now than in the past. Within the higher education sector, community colleges have the flexibility to respond to changing dynamics and "product lines." Community colleges are flexible and can adapt to the economics in the states. In a larger view, community colleges can help deliver what the states, communities and citizens want.

"Higher education will need to be flexible, to undergo changes and to understand the environment in which it operates."
— Judy Erwin

Erwin stated that higher education needs to be value driven. Value is seen in different ways and needs to be delivered in a manner that respects and understands the consumer and what they need and when they need it. Value also means providing the support services to meet consumer needs.

Tight budgets offer an opportunity to create systemic changes because tight budgets offer "political shelter" for officials to do things that they couldn't otherwise do. Community colleges, not the legislatures, need to lead the charge in creating systemic change and opportunities.

Erwin emphatically declared that the higher education sector must be part of the solution in tough economic times, otherwise things will "be done to that sector" rather than that sector working with the state policymakers to come up with solutions. Examples of "solutions" are: collaborations, economies of scales, pilot programs, etc.

The higher education sector also needs the right people to interact with the state legislatures. This means not just sending a person to toot higher education's horn. Even in good times when higher education is receiving full funding, nobody ever goes to a state legislature to say "you gave us too much." There is never enough funding and in the broader context, higher education has to compete with other, just as essential or more essential, programs such as Medicaid, social services, etc. for dollars.

Representative Erwin went on to say that proprietary schools are often successful at being heard by state policymakers because they have the employers deliver their message to the

policymakers. Community colleges should use their trustees or community leaders to deliver the higher education message to state policymakers.

After letting the legislature know their financial problems, the higher education sector needs to go beyond that to look at how they can fundamentally change things from within that aren't working.

Representative Erwin asserted, that the higher education sector needs to also look elsewhere to better leverage all the public and private investments that are available. The higher education sector should look at investments that shared constituents are making and should learn to better leverage those resources. These could be resources at a high school or online. Legislatures will have more confidence in the higher education sector when they see that the higher education sector is on the side of taxpayers, constituents, students, the economy, etc. Collaborations and finding partnerships are good things that higher education can do. Collaborations and partnerships may include:

- Dual enrollment programs
- Transfer agreements
- Employer-based programs

Representative Erwin concluded that community colleges need to promote third party validations such as the trustee or the bank CEO, etc. so the message is stronger. Higher education institutions should put systems in place today that should have been put in place during past recessions so that with the next trough of the business cycle the higher education sector is not put into the same difficult position. Higher education must do a better job: reaching immigrants, with job retraining, and reaching out to adult students and underserved students, regardless of the state of the economy. Just as McClenney asserted, Representative Erwin emphasized the need to stop increasing tuition and instead colleges should find where efficiencies can be reached.

(Group discussion followed luncheon presentation)

"The Vital Role of Rural Community Colleges in the New Economy"

David Pierce, ECS Center for Community College Policy Distinguished Senior Fellow, noted that two-thirds of all community colleges are small and/or rural with the majority of those being rural. Rural communities depend on community colleges to deliver services to improve their lives.

Sarah Rubin, a senior associate with MDC and the RCCI Policy Director, asked the question, how can rural community colleges help develop rural economies.
Rural communities are suffering not only from the current economic recession, but from long-term economic problems. Many people in rural areas view community colleges as the key institutions in their communities for building the economy.

"Many people in rural areas view community colleges as the key institutions in their communities for building the economy."
— Sarah Rubin

Rural areas across the United States are worse off than metropolitan areas. A key difference in rural and urban America is educational attainment. Rural counties have a larger proportion of high school noncompleters, and a smaller proportion of the population that has completed either a two or four-year degree than in urban areas. Of utmost concern are rural counties that have persistent poverty, which is a poverty rate of 20% or higher since 1960. Most of these impoverished, rural areas are located in the Southeast, the Southwest and on Indian reservations. Overall, one in four nonmetro counties fall into that category. This is an indication of rural distress.

Rural communities located near urban areas, so-called "bedroom communities" and rural areas with amenities for tourists are booming. Rural communities dependent upon manufacturing and natural resources are in decline. Rural prosperity is dependent on education, technology and entrepreneurship. Community colleges can impact all the preceding factors for prosperity.

Rubin noted that there is a classic chicken-and-egg problem for rural areas in that a rural community can't attract business without an educated populace, but an educated populace won't remain where there aren't any economic opportunities. This is the difference between rural and urban areas. When there are no jobs in the rural areas, people migrate to the urban areas. Community colleges can address this dilemma by providing access to education and by building the foundation for a stronger economy, which are the goals of the Rural Community College Initiative (RCCI) funded by the Ford Foundation and managed by MDC, Inc.

In total, 24 communities have been selected for the RCCI initiative. RCCI is a learning network and not just a grant funder for institutions. RCCI has pressed colleges to think about access in broader terms such as:

- Providing support to families
- Expanding distance-learning opportunities
- Increasing collaboration with K-12 schools
- Expanding service to underserved populations with outreach and recruitment programs and by improving on-campus services

With respect to economic development, RCCI has helped colleges acknowledge the relationship between their mission and the well-being of the economy. That is the link between individual opportunity and community success. To better serve students, community colleges should also look at developing the local economy. Some of the activities that RCCI in conjunction with community colleges have undertaken include.

- Encouraging small business development
- Creating small business assistance centers
- Starting up small business incubators

- Developing entrepreneurship education
- Encouraging colleges to create new nonprofit organizations in their communities
- Setting up community leadership programs to build social capital so that people will become more engaged in local civic affairs

Rubin concluded her presentation with the question, how can states encourage rural community colleges to take on the broader mission outlined above, which RCCI believes will lead to greater economic prosperity?

Parker Chesson, senior consultant with MDC, Inc. for the Rural Community College Initiative (RCCI), noted that the definition of a rural community college depends on what criteria you use. The purpose of RCCI is to help the poorest of the poor, which is to say the poor in rural America. RCCI is looking at six broad areas of policy development, particularly at the state level. The focus of the RCCI initiative is to assist small rural institutions serving distressed communities.

Communities that don't have some type of competitive advantage in the future will suffer. The same can be said in the private sector. There is a great focus in the communities on economic growth and development, but that's not enough. Communities also need to look at what's being done to develop the human and social capital, particularly leadership. There are three major human capital engines: the public school system, the land grant universities and the community/technical colleges. A major focus of RCCI has been on helping community colleges foster the potential for developing economic and community development, which in some states has not been part of the mission of community colleges.

RCCI has set forth the following questions for community college leaders and policymakers to consider:

- Does state policy encourage rural community colleges to act as neutral conveners in their communities?
- Does state policy encourage the operation and development of community leadership programs?
- Does state policy encourage community colleges to support small business development?
- Does state policy encourage access to education?
- Does state policy acknowledge the importance of low tuition and fees? The current financial aid structure does not benefit part-time students so low tuition is important.
- Does state policy encourage internal pathways and support systems for disadvantaged students. Are there pathways that help students obtain competencies to move to higher levels and to eventually acquire a degree?
- Does state policy require services for recent immigrants and students with academic deficiencies?
- Does state policy recognize that transportation is a barrier for many community college students and that for rural community college students it is a tremendous barrier? There are no public transportation systems in most if not all rural areas.

- Does state policy provide for adequate funding of community colleges?

Chesson asked whether:

- There are things that states can do to create economies of scale, particularly for rural community colleges. It costs more to provide a similar type of service in a small, rural institution as compared to large, urban institutions. Chesson suggests that maybe colleges can be grouped together in instructional or non-instructional areas whereby savings can be produced.
- There is equalization funding. Policymakers should look at local ability to pay.
- Collaboration is encouraged as a way to overcome funding incentives.
- There is a difference between workforce development and workforce preparation.

Chesson stated that:

- There needs to be base funding for the first increment of enrollment and beyond that FTE funding.
- Collaboration is needed among workforce investment programs and community colleges.
- Technology is very important. Does state policy support infrastructural development in rural areas? Many states address this through special Internet access authorities.

Chesson also asked the following policy questions:

- What is the pricing like in small rural areas? Colleges need special resources to develop distance-education courses. This is where economies of scale can be important.
- Does community college governance reflect the critical role of community colleges in the 21st century and particularly for rural colleges?
- What scale should community colleges work on in terms of policy? They should work at the state, regional or federal level, rather than at the community level so resources can be amassed and policies can really change.

Panel Discussion: "Challenges and Opportunities for Rural Community Colleges in the Decade Ahead"

Carlyle Ramsey, president of Danville Community College in Virginia, stated that his presentation was geared towards economic/workforce development. The three goals for this session were:

(1) Raise the awareness of rural issues and the role in which community colleges can play in addressing these issues

(2) Make people aware of what RCCI is all about

(3) Try and give examples of what RCCI has done and to talk about how the state and federal governments can assist rural communities develop and become more competitive

According to Ramsey, his college's experience with the RCCI is one of the most important experiences that the college and the community has had in 15-20 years because of the emphasis on changing the culture of the college and the community. His college is near to areas with lots of amenities, serves an area with a population of 140,000 and a region of 2,000 square miles. Part-time students comprise 75% of the student body and in total his college serves 7,500 headcount and 2,250 FTE students annualized. Minority students make up 33% of the student body, while 59% of the student body is female. Danville Community College is in the top five community colleges in Virginia in penetration rate (number of citizens served).

In the Danville Community College area 10 years ago, 45% of the workforce derived its income from manufacturing. Since then, less than 30% of that workforce derives its income from manufacturing. In other words, the area is losing 1,300 manufacturing jobs, on average, every year. The revenue base is declining and the area is losing the multiplier effect that service sector jobs just don't give. This is a real challenge.

The goal of the collaboration with RCCI is to increase the college's capacity to provide access and to facilitate economic development. For Ramsey, another appealing feature of the RCCI conceptual framework is that rural America matters and therefore problems that rural America faces must be addressed. Otherwise during times of prosperity, rural America is the last to rebound so it is a drag on the state economy in terms of overall budget planning processes. Also, when a state or country falls into a recession, the rural areas decline very quickly. Community colleges can be change agents to help a community develop its resources and to effect significant change.

Ramsey's college went through a planning process with RCCI, which was integrated into the college's strategic planning process. His college developed initiatives such as strengthening K-16 partnerships, etc.

The RCCI experience also helped Danville Community College to expand its role in workforce preparation. Workforce preparation includes certificates and degrees (including transfer degrees) that enable a student to move from one socioeconomic level to a higher one. Workforce preparation is also defined as a student who graduates with a degree and returns to his community (or perhaps another community) and adds value to that community. Workforce preparation is an access issue. There can't be workforce preparation without access. Economic development is an access issue. Quality of life is an access issue. Community colleges must have responsive, high-quality, well-funded workforce programs that are also entrepreneurial in order to help with economic development. In many areas, community colleges are the only postsecondary institution, so they can be particularly vital to rural economic development.

Danville Community College came up with strategies to effect changes in the community in terms of job growth and creation. One strategy the college implemented was neighborhood educational opportunity centers that helped to improve access. Several centers in the rural areas have their own visions and strategies. Students go to these

centers for GED (general equivalency degree) or ABE (adult basic education) programs. The college is visible at these centers so that before the students take their GEDs they have an opportunity to go on campus to see the college. For many of these students, this helps to alleviate the psychological barriers of going to college.

Danville Community College also leveraged resources such as getting the city to spend some of its community development block grant money to help individuals in the first phase of their collegiate experience at the centers. Additionally, Danville Community College has gotten local banks to provide funds, in the form of small scholarships, to these students.

According to Ramsey, Danville Community College, was the first college in the nation, to receive a Community Outreach Partnership Centers Grant from the Department of Housing and Urban Development (HUD). Until Danville Community College, these particular grants had only been given to universities that worked with communities. Danville Community College partnered with a university under the HUD grant. With regards to workforce development, the college now collaborates with economic developers and also tries to marshal all available resources to create jobs. Danville Community College has worked with Goodyear Corporation and is now working with business incubators on a polymer plastics program.

Because of the RCCI, Danville Community College is much more prepared to address the issues of rural economic and workforce development than before. Ramsey asserted that RCCI has helped Danville Community College to be more focused and a better college as a whole.

Steven Scott, executive vice president & CEO of the North Carolina Community College System and former president of Southeastern Community College in North Carolina, presented a speech on economic and community development and his involvement with RCCI. He mentioned that some rural areas are prosperous, but usually only if they are resort or retirement areas. His concern was there are rural areas that aren't consistently prosperous.

When there was a tuition increase two years ago in Scott's state of North Carolina, his college convinced the legislature to set aside a scholarship fund for people who weren't covered by Pell grants but who were nevertheless needy and otherwise would have fallen through the cracks. Many of those beneficiaries of the scholarship funds were part-time students. Recently, when there was a tuition increase, the college again convinced the legislature to put aside funds for the scholarship fund. If there is a tuition increase next year, the college will again ask for money to be put aside for the scholarship fund. The fund not only benefits needy students, but it also gives politicians "cover" when they increase tuition.

According to Scott, there are three ways to create rural economic development:
(1) Attract large industry
(2) Help existing business firms grow and expand
(3) Grow-your-own businesses.

As to the first means of rural economic development, it's very difficult to attract big business to a rural area. As to the second means, there is usually very few or no existing firms to grow and expand in rural areas. So "grow-your-own" businesses are generally the best option.

In North Carolina in the mid-1980's, it was decided that all 58 community colleges would have small business centers. The initial funding for the centers was about $55,000 and since then, there has only been one funding increase. In order to keep these centers going, community colleges have had to move funds from other program areas. These centers teach students how to start their own small businesses.

North Carolina also has a rural economic development center. The North Carolina Rural Economic Development Center started out with the primary function of being the entity for statewide water and sewer grants and then it expanded over time to a Microenterprise Loan Program. Half of North Carolina's community colleges participate in the microenterprise loan programs. The loan program works with individuals who have good ideas for starting or expanding a small business, but who do not qualify for bank loans. The program gives small loans of up to $25,000 in combination with business planning and technical assistance. The technical assistance is provided with the partnership of small business centers located at area community colleges and small business technology development centers. The Microenterprise Loan Program has two types of loans: (1) group lending in selected counties and (2) individual lending, available in all 85 counties in North Carolina. The loans are especially geared towards rural, low-income, female and minority borrowers.

Out of 100 counties in North Carolina, 85 are classified as rural. That's why there is an emphasis in North Carolina on rural community colleges and rural needs. However, redistricting is causing power to shift to urban areas in North Carolina.

Scott mentioned that at the state level politicians can remove barriers. A few years ago North Carolina modified its funding flexibility. As a result, colleges can move funding from one area to another with the exception of Adult Basic Skills and GED, which are untouchable. During the past legislative session, policymakers asked community colleges what barriers they needed removed. One of the barriers was the Olmstead Act, which states that the state cannot be in competition with private industry and business in the sale of goods and services. The colleges said that in order to serve rural communities better, they needed to be able to do three things.
(1) Use facilities as small business incubators
(2) Conduct product testing in textiles and with composites in particular
(3) Teleconference, especially in rural areas that didn't have broadband access

As a result of the colleges' request, they received an exemption in those three above areas.

Scott also stated, that rural community colleges must stimulate economic demand by creating jobs that keep trained people in the community, thereby building human capital.

Scott mentioned that in North Carolina, a Rural Internet Access Authority was formed from a state policy initiative. The purpose of the Internet Access Authority is to provide dial-up in all rural counties. Additionally, the Internet Access Authority has provided broadband access. This could also be done in other states.

Another innovative program that was initiated in North Carolina was the Telecenter, which is a place that provides broadband Internet access for free. For instance, a person can set up a business and operate there. Another example is that a company such as Cisco can hire systems programmers from rural community colleges without the new hire having to leave the rural area. Only four of these Telecenters are currently funded.

The Rural Community College Initiative encourages community development through community planning. Scott reported that his college worked with chambers of commerce to develop a leadership program for students and employees. He emphasized that community college systems should have a leadership program in place.

In the area of resource development, rural community colleges have the ability to seek grants and can train community leaders to seek grants. Scott notes that community colleges can develop community foundations to bring resources together. Scott concluded by saying community colleges need resources, but they also need to see what other colleges and providers are doing.

(Group discussion followed presentations)

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